## Message Text

CONFIDENTIAL

PAGE 01 DACCA 06709 220309Z ACTION AID-31

INFO OCT-01 NEA-10 ISO-00 EB-08 IGA-02 /052 W

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R 211012Z NOV 77 FM AMEMBASSY DACCA TO SECSTATE WASHDC 7135

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PASS AID

E.O. 11652: GDS TAGS: EAID BG US

SUBJECT: PL-480 FOODGRAINS

- 1. BDG FOOD ADVISOR MOMEN KHAN TACKLED ME AT A RECENT SOCIAL FUNCTION IN HONOR OF THE AGA KHAN AND PRESSED HIS CASE FOR IMMEDIATE NEGOTIATION OF 200,000 TONS OF GRAIN UNDER PL-480 TITLE I. KHAN CLAIMED THAT DR. HUDA HAD BEEN PROMISED THIS DURING HIS VISIT TO WASHINGTON, AND THE BDG WAS CONCERNED THAT WE ARE NOT FOLLOWING THROUGH ON THIS COMMITMENT.
- 2. I TOLD KHAN THAT I REGRETTED THERE SEEMED TO HAVE BEEN A MISUNDERSTANDING AS A RESULT OF HUDA'S TALKS IN WASHINGTON. HOWEVER, I HAD JUST BEEN IN WASHINGTON AND THERE WAS COMPLETE AGREEMENT BY THE VARIOUS AGENCIES THERE AND BY OUR EMBASSY IN DACCA THAT WE SHOULD PROCEED INITIALLY WITH AGREEMENT FOR 100,000 TONS, LEAVING UNTIL AFTER THE JANUARY FOOD REVIEW MEETING THE FINAL AGREEMENT ON THE REMAINDER. I WENT OVER WITH HIM AGAIN. AS THE EMBASSY AND USAID HAVE SEVERAL TIMES BEFORE, THE PROVISIONS OF THE BELLMON AMENDMENT AND THE REASONS WHY WE BELIEVE IT ESSENTIAL THAT WE HANDLE THE TITLE I PROGRAM THIS YEAR IN TWO TRENCHES.
- 3. I TOLD KHAN WE WERE AWARE OF THE HIGHLY CONSTRUC-CONFIDENTIAL

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TIVE STEPS TAKEN BY HIS MINISTRY TO IMPROVE THE PROCUREMENT DRIVE THIS YEAR AND THAT THESE MOVES, IF IMPLEMENTED DURING THE DRIVE ITSELF, WOULD OBVIOUSLY HELP CREATE A GOOD ATMOSPHERE DURING THE JANUARY MEETING. ANOTHER FACTOR WOULD BE THE SIZE OF THE AMAN HARVEST. KHAN MENTIONED SEVERAL AREAS IN WHICH THE CROP WAS LIKELY TO FALL BELOW EXPECTATIONS BUT AGREED

THAT, ON BALANCE, IT WOULD PROBABLY BE THE BEST HARVEST IN RECENT YEARS.

4. KHAN REITERATED THE PROBLEMS BANGLADESH FACES IN TRYING TO ENSURE ORDERLY SUPPLIES OF FOODGRAINS (VAGARIES OF WEATHER AND UNCERTAINTY ABOUT FOOD AID FROM THE DONORS) AND STRESSED THE POLITICAL IMPORTANCE OF ADEQUATE SUPPLIES. FOR THESE REASONS, BANGLADESH FELT TWO THINGS WERE ESSENTIAL: ONE MILLION TON STOCK LEVEL ON JUNE 30 TO GET THROUGH THE LEAN SEASON AND AGREEMENT EARLY IN THE CALENDAR YEAR ON FOOD AID FROM VARIOUS DONORS. HE NOTED THAT NEGOTIATIONS FOR PL-480 GRAIN FREQUENTLY TAKE A LONG TIME. IF WE DO NOT BEGIN UNTIL LATE JANUARY, THE SECOND 100,000 TONS MAY WELL NOT ARRIVE IN TIME. I REPLIED AS FOLLOWS:

A. REGARDING STOCK LEVELS, I SAID THAT, WHILE SOME DONORS BELIEVED A MILLION TONS WAS TOO HIGH, WE REGARDED THIS AS A DECISION FOR THE BDG AND WERE NOT OPPOSING IT, ASSUMING ADEQUATE STORAGE CAPACITY EXISTED. ADEQUATE STORAGE AND HANDLING WERE, HOWEVER, ESSENTIAL IF BANGLADESH WAS TO RETAIN THE CONFIDENCE OF DONORS. KHAN AGREED.

B. ON THE TIMING FOR OUR SECOND TRANCHE, I SAID I WOULD NOT BE HERE AT THAT TIME BUT WOULD RECOMMEND THAT WE DO MUCH OF THE PRELIMINARY WORK BEFORE THE CONFIDENTIAL

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JANUARY MEETING SO THAT THE AMENDMENT FOR AN ADDITIONAL 100,000 TONS COULD, IF THE RESULTS OF THIS MEETING SO JUSTIFIED, BE SIGNED QUICKLY. FOR THIS WE WOULD NEED CONTINUED CLOSE LIAISON WITH THE FOOD MINISTRY AND OTHER ELEMENTS OF THE BDG SO WE WOULD BE AWARE OF THE FOODGRAIN SITUATION AS THE TIME FOR THE JANUARY MEETING APPROACHED. KHAN PLEDGED HIS FULL COOPERATION. MASTERS

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## Message Attributes

Automatic Decaptioning: X

Capture Date: 01-Jan-1994 12:00:00 am Channel Indicators: n/a

Current Classification: UNCLASSIFIED Concepts: ECONOMIC ASSISTANCE, PL 480, NEGOTIATIONS, FOODS, GRAINS

Control Number: n/a

Copy: SINGLE Sent Date: 21-Nov-1977 12:00:00 am Decaption Date: 01-Jan-1960 12:00:00 am

Decaption Note: Disposition Action: RELEASED Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW

Disposition Date: 22 May 2009 Disposition Event: Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DACCA06709
Document Source: CORE

**Document Unique ID: 00** Drafter: n/a

Enclosure: n/a Executive Order: GS Errors: N/A

**Expiration:** Format: TEL

Film Number: D770432-0379

From: DACCA

Handling Restrictions: n/a

Image Path: ISecure: 1

Legacy Key: link1977/newtext/t19771136/aaaabekg.tel

Line Count: 102 Litigation Code IDs: Litigation Codes:

Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM

Message ID: b3483e15-c288-dd11-92da-001cc4696bcc

Office: ACTION AID

Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a Page Count: 2
Previous Channel Indicators: n/a

Previous Classification: CONFIDENTIAL Previous Handling Restrictions: n/a

Reference: n/a Retention: 0

Review Action: RELEASED, APPROVED Review Content Flags: Review Date: 24-Nov-2004 12:00:00 am

Review Event:

Review Exemptions: n/a **Review Media Identifier:** Review Release Date: n/a Review Release Event: n/a **Review Transfer Date:** Review Withdrawn Fields: n/a

SAS ID: 510631 Secure: OPEN Status: NATIVE

Subject: PL-480 FOODGRAINS TAGS: EAID, EAGR, BG, US

To: STATE Type: TE

vdkvgwkey: odbc://SAS/SAS.dbo.SAS\_Docs/b3483e15-c288-dd11-92da-001cc4696bcc

Review Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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